Supreme Court, U.S.
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No. 94-1932

In the

Supreme Court of the United States

October Term, 1994

DUPLITRONICS, INC.

Petitioner,

v.

CONCEPT DESIGN ELECTRONICS AND MANUFACTURING, INC.,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED FOR REVIEW

1. Whether the Supreme Court should exercise its discretionary jurisdiction to review opinions of the District Court and Federal Circuit on issues not raised and argued below in a case distinguishable from *Markman v. Westview Instruments Inc.*

2. Whether the Supreme Court should exercise its power of supervision over the Federal Circuit in a case where the Petitioner claims that the Trial Court repudiated a finding of inequitable conduct, but where the record clearly indicates that the Trial Court did not repudiate its finding, where the issue was considered and properly decided by the Federal Circuit, and where the "claim construction" infringement issues raised by Duplitronics are moot because of parallel findings of invalidity and unenforceability not challenged by Duplitronics.

LIST OF PARTIES TO THE PROCEEDING

The Parties are Duplotronics, Inc., Petitioner, and Concept Design Electronics and Manufacturing, Inc., Respondent. Concept Design has no parent company or subsidiaries.

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DUPLITRONICS, INC.

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CONCEPT DESIGN ELECTRONICS
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Respondent.

On Petition for Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

TO THE HONORABLE SUPREME COURT:

The Respondent, Concept Design Electronics and Manufacturing, Inc., respectfully requests that this Court deny the Petition for Writ of Certiorari submitted by Petitioner, Duplitronics, Inc.

STATEMENT OF THE CASE

In compliance with 15.1 S.Ct.R., Respondent Concept Design Electronics and Manufacturing, Inc. ("Concept Design") provides a Statement of the Case identifying the "...misstatements of fact or law set forth in the petition which have a bearing on the question of what issues would be before the Court if certiorari were granted." Petitioner Duplitronics' Statement of the Case is substantially erroneous in both fact and law in two broad respects.

First, Petitioner erroneously claims that the District Court in some manner repudiated its own earlier finding of inequitable conduct against Duplitronics, and that the Federal Circuit wrongly refused to consider this alleged repudiation in affirming the case on appeal in favor of Respondent Concept Design.

Second, Petitioner claims that it has asserted as error below, and thus preserved for review, the issue of whether claim interpretation should have been given to the jury, or reserved by the Court for its own determination.

Both assertions by Duplitronics are erroneous, for the following reasons.

A first trial in March, 1993 resulted in a jury finding that both the Newdoll and Scheffler Patents owned by Duplitronics were unenforceable, invalid and not infringed by Concept Design. Duplitronics filed a Motion for Judgment as a Matter of Law ("JMOL"), which was denied. A Partial Judgment was entered, including a Judgment consistent with the jury verdict that both patents were unenforceable.

Concept Design filed a Motion to have the case declared exceptional, and for an award of attorneys fees under Federal Statute. This Motion was deferred until after a second trial on Concept Design's counterclaim for unfair competition and damages.

An unfair competition and damages trial was held in November, 1993. The jury found that Duplitronics had engaged in bad faith litigation, that Petitioner had not been shown by clear and convincing evidence to have committed fraud on the Patent and Trademark Office, and awarded Concept Design $300,000 in damages as the result of the acts of bad faith litigation, which was trebled under the North Carolina Unfair Competition Statute. A Final Judgment was entered, in which the Court entered its own finding that Duplitronics' conduct, while not shown to be fraud, was nevertheless "inequitable conduct," and entered a Final Judgment consistent with the jury's verdict and Judgment of unenforceability in the first trial.

Concept Design then filed a Motion for attorneys fees under the North Carolina Unfair Competition Act, N.C.Gen.Stat. 75-1.1 *et seq.*, and renewed its previously-filed Motion to have the case declared exceptional and for an award of attorneys fees on that basis, as well, under 35 U.S.C. § 285.

Duplitronics makes the flat statement in its Petition, p. 2, that "The District Court found that this was not an exceptional case, and that clear and convincing evidence was not of record to support the claim of "inequitable conduct." The District Court said no such thing. *Memorandum of Decision and Order,* October 31, 1994 (excerpts), A. 1a-4a.

In fact, this is what the Trial Court said in that Order:

"The Court also concluded as a matter of law that the Defendant's Newdoll and Scheffler Patents were unenforceable as a matter of law because of *inequitable conduct."* A. 2a. [Emphasis added].

Duplitronics failed to note the Trial Court's reiteration of its own prior finding in its Petition.

Duplitronics' mischaracterization of the Court's Order is based upon an argument made by it in its opposition to Concept Design's Motion for Attorneys Fees, where Duplitronics told the Trial Court:

> Concept Design also has not satisfied its burden of demonstrating by clear and convincing evidence that Duplitronics' conduct...was sufficiently egregious to justify classifying this case as "exceptional" under 35 U.S.C. § 285.

Duplitronics' Memorandum In Opposition to Plaintiff's Motion for an Award of Attorneys Fees and Costs, Docket Entry No. 347 at 2. A. 5a-6a.

As is apparent from this statement, Duplitronics urged the Trial Court to require that Concept Design prove all over again by "clear and convincing evidence" that Duplitronics' conduct, already found to be bad faith litigation by a jury, was "sufficiently egregious" to justify imposition of attorneys fees.

In response to this invitation, the Trial Court stated that "[s]ince the Court has found that the Plaintiff's evidence was not clear and convincing such that the Court could find

that this was an exceptional case under 35 U.S.C. § 285...." it would not award attorneys fees on that basis. A. 7a-8a. The Court did *not* say that *none* of the numerous instances of bad faith litigation introduced as evidence at trial had been proven by Concept Design, and did not say that Duplitronics was not guilty of inequitable conduct. The Trial Court stated only that Concept Design had not met what Duplitronics had urged as the standard for independently determining entitlement to attorneys fees; namely, that its conduct had to be found by clear and convincing evidence "sufficiently egregious" to justify exceptional case status under 35 U.S.C. § 285.

The Federal Circuit carefully reviewed the record of the two trials, and the Trial Court's Judgment. The Federal Circuit "...upon a review of the evidence" held that the district court did not abuse its discretion by entering judgment that the Newdoll and Scheffler Patents are unenforceable. A. 16a.

The Trial Court's true intent when it denied Concept Design's Motion for "exceptional case" status is clear from its recent ruling on Concept Design's Motion for Supplemental Attorneys Fees. In that Order, A. 17a-42a, the District Court summarized the history of the litigation, and in doing so, the Trial Court reiterated several times the jury's and the Trial Court's previous findings of inequitable conduct, including the following statements:

> The Court entered final judgment in both phases of the litigation, including a judgment that the two patents were unenforceable *for inequitable conduct.* A. 34a. [Emphasis added].

This finding is repeated by the Trial Court at A. 36a.

The Trial Court also explicitly acknowledged and discussed the Federal Circuit's treatment of Duplitronics' arguments regarding the alleged impact on the second trial of the jury's finding of unenforceability in the first trial, *Id.*, including the Federal Circuit's decision that the Trial Court did not abuse its discretion by entering a final judgment of unenforceability due to inequitable conduct. A. 37a-39a. The extensive discussion by the Trial Court of the Federal Circuit's treatment of this issue and its explicit acknowledgment and rejection of Duplitronics' argument regarding the Trial Court's holding of inequitable conduct completely guts any claim by Duplitronics that the Trial Court had previously changed its mind about its prior holding.

Finally, the Trial Court also noted after a thorough review of the Federal Circuit's affirmance of the finding of inequitable conduct that the Federal Circuit's decision was "sound," and denied Duplitronics' Motion for a further stay of enforcement of the Judgment pending this Court's review of Duplitronics' Petition for Certiorari. A. 39a.

SUMMARY OF THE ARGUMENT

The Federal Circuit addressed the issues raised by Duplitronics in its appeal, and decided after consideration of the record to affirm the results of two jury trials and the Trial Court's Judgment based upon those trials. Duplitronics' claim that the Federal Circuit "refused" to consider the question of the "findings" contained in the Trial Court's Order of October 31, 1994 on inequitable conduct is refuted by the record. When Duplitronics filed its Motion to

Supplement the Record, it attached a full copy of the Trial Court's Order to its Motion for consideration by the Federal Circuit. Concept Design filed a response, pointing out that the Trial Court, in fact, did not repudiate its own finding of inequitable conduct. Thus, the Federal Circuit had the entire Trial Court Order before it, together with arguments by both parties.

A jury found the patents at issue here unenforceable in March, 1993. The Trial Court entered a finding consistent with this jury verdict, which was affirmed by the Federal Circuit. Thus, there is nothing to be gained by remanding this case for a new trial as requested by Duplitronics. The affirmed finding of inequitable conduct, and thus the unenforceability of the both patents, bars the enforcement by Duplitronics of the patent and makes the question of claim construction entirely moot. Duplitronics did not raise below any argument that the Trial Court was required to interpret the claims and give that claim interpretation to the jury for its use. Instead, Duplitronics actually submitted jury instructions to the Trial Court, requesting that the *jury* be told how to go about construing the claims. The Trial Court did as requested by Duplitronics. Thus, even if there were error below, it was invited by Duplitronics, who should not be permitted to reverse its field and raise it here for the first time.

This issue was also ignored by Duplitronics on appeal. The only issue regarding claim interpretation raised by Duplitronics was the novel assertion that the Federal Circuit was obligated to consider only Duplitronics' position on infringement.

The Federal Circuit's opinion in *Markman v. Westview Instruments, Inc.* has no bearing on the facts of this case, where Duplitronics actually urged the Court to give the claim construction issue to the jury, and has never before this Petition objected to the Court having done so.

The Petitioner has provided no basis for this Court to exercise the extraordinary exercise of its discretion to review this case.

ARGUMENT

REASONS FOR DENYING THE WRIT

I. There is No Special and Important Reason for this Court to Exercise its Judicial Discretion to Review the Federal Circuit's Decision in This Case

The Federal Circuit addressed the issues raised by Duplitronics in its appeal, and decided after consideration of the record to affirm the results of two jury trials and the Trial Court's Judgment based upon those trials. The facts in this case suggest none of the reasons for which the Supreme Court generally grants certiorari, as set out in 10.1 (a)-(c) S.Ct.R. There is no important issue here, only a dissatisfied litigant and the pretext of an argument, raised here for the very first time, built on mischaracterizations of the record in this case. "As to none of the questions raised by Petitioner can this Court do more than second-guess, one step further removed from the actual events, the District Court and the Court of Appeals." *Ferguson v. Moore-McCormack Lines, Inc.*, 352 U.S. 521, 559 (1958).

II. The Federal Circuit Did Not Improperly Decline to Consider the Trial Court's Comment on Inequitable Conduct

Duplitronics claims that the Federal Circuit "refused" to consider the question of the "findings" contained in the Trial Court's Order of October 31, 1994, and asks this Court to force the Federal Circuit to do so. In fact, the Federal Circuit *fully* considered the contents of the Trial Court's Order. When Duplitronics filed its Motion to Supplement the Record, it attached a full copy of the Trial Court's Order to its Motion for consideration by the Federal Circuit. Concept Design filed a response, pointing out that the Trial Court, in fact, did not repudiate its own finding of inequitable conduct. The Federal Circuit had the entire Trial Court Order before it, together with arguments by both parties. Thus, Duplitronics' claim that the Federal Circuit "refused" to consider the issue in the appeal is incorrect. By denying Duplitronics' Motion to Supplement the Record, it implicitly and correctly rejected the premise of Duplitronics' Motion--namely, that the Trial Court had undone its own prior Judgment of inequitable conduct in the course of reviewing an attorneys fee petition.

As is apparent from the summary of the Trial Court's Order of May 19, 1995, A. 17a *et seq.*, the Trial Court has not impaired in any respect its finding of inequitable conduct as affirmed by the Federal Circuit.

III. The Issue of Claim Construction is Moot Based Upon the Invalidity and Unenforceability of the Newdoll and Scheffler Patents

The jury found all of the claims asserted against Concept Design by Duplitronics to be invalid. A. 33a. Invalid claims cannot form the basis of a justiciable infringement assertion, and this Court has recently reemphasized the importance to the public at large of resolving questions of patent validity. *Cardinal Chemical Co. v. Morton International Inc.*, 113 S.Ct. 1967 (1993).[1] Duplitronics has not petitioned on any issue regarding the validity of the claims of the Newdoll and Scheffler Patents. Those claims are finally and irrevocably invalid. For this reason, any decision by this Court, the Federal Circuit or the District Court would be completely hypothetical, since no matter what the claim construction, the claims remain invalid.

The Trial Court's affirmed finding and holding of inequitable conduct results in an identical result on a separate ground. A finding of inequitable conduct renders a patent unenforceable. *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 241 (1933); *see also Precision Instrument Manufacturing Co. v. Automotive Maintenance Machine Co.*, 324 U.S. 806 (1944); *Consolidated Aluminum Corp. v. Foseco International Ltd.*, 910 F.2d 804, 809 (Fed. Cir. 1990). If a patent cannot be enforced by the owner, then the

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[1]In *Cardinal*, the Supreme Court, per Stevens, J., overruled the practice of the Federal Circuit in vacating invalidity holdings as being moot after a finding of noninfringement, holding that it was an abuse of discretion not to also review the validity issues as well. *Cardinal*, at 1969-78.

question of whether the claims cover a particular product or process is irrelevant. *Id.* This situation is present here. Duplitronics cannot enforce the Newdoll or Scheffler Patents against Concept Design or anyone else because a jury found the patents unenforceable in March, 1993. The Trial Court entered a finding consistent with this jury verdict, which was affirmed by the Federal Circuit.

Thus, there is nothing to be gained by remanding this case for a new trial as requested by Duplitronics. The affirmed finding of inequitable conduct and thus the unenforceability of both patents bars the enforcement by Duplitronics of the patents and makes the question of claim construction entirely irrelevant.

IV. The Issue of Claim Construction Was Not Raised or Preserved Below

Duplitronics claims that the recent case of *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 34 U.S.P.Q.2d 1321 (Fed. Cir. 1995) (en banc) entitles it to a new trial. There are several basic reasons why this argument is wrong.

First, "...this Court will ordinarily not decide questions not raised or resolved in the lower court." *Youakim v. Miller,* 425 U.S. 231, 233 (1976), *citing, California v. Taylor,* 353 U.S. 553, 557 n. 2 (1957). Rather, it is only in exceptional cases coming from the federal courts that questions not pressed or passed upon below are reviewed by the Supreme Court. *Id.*

Duplitronics claims that it asked the Trial Court and the Federal Circuit to interpret the claims "*de novo.*" However, this was done only in the usual context of a JMOL Motion, where the rule has long been that the Trial Court in ruling on a JMOL Motion determines the claim construction *de novo*. *Read v. Portec Inc.*, 930 F.2d 816, 822-23 (Fed. Cir. 1991). In *Markman,* the Federal Circuit set out the proper procedure when a case is tried to the jury:

> Where a party moves for JMOL in a case that has been tried to a jury, the district court must determine whether there exists evidence of record upon which a jury might properly have returned a verdict in the non-movant's favor when the *correct legal standard is applied.*

Markman at 975, 31 U.S.P.Q.2d 1326.

The Trial Court did exactly this in denying Duplitronics' post-trial JMOL Motion. A. 49a-52a. In so doing, the Court pointed out that it had ..."conducted an extensive review of the patents, their prosecution history, and the relevant prior art." A. 50a.

On appeal, the appellate court also conducts a *de novo* review to determine if the trial finding was supported by substantial evidence and legally correct. *Tol-O-Matic v. Proma Produkt-Und Marketing,* 945 F.2d 1546 (Fed. Cir. 1991).

The Trial Court and the Federal Circuit did exactly what they were asked to do by Duplitronics, in accordance with current law, and found Duplitronics' position to be without merit. What Duplitronics did *not* do below--at any

time--was raise the issue that the Court was required itself to interpret the claims and give that claim interpretation to the jury for its use.

Instead, Duplitronics actually submitted jury instructions to the Trial Court, requesting that the *jury* be told how to go about construing the claims. A 43a-45a. The Trial Court did as requested by Duplitronics.

After the claims were held not infringed at trial, Duplitronics did not then argue that the Trial Court erred in following the instructions given it by Duplitronics. The only issue relating to claim construction raised by Duplitronics in its JMOL Motion and Memorandum (which was 96 pages long) after the March, 1993 trial was the usual argument that the jury's verdict was "against the clear weight of the evidence" and should be set aside for that reason. A. 46a-48a. The Trial Court disagreed. A. 49a-52a.

After the unfair competition trial, Duplitronics again asked in its JMOL Motion only that the Trial Court review the infringement findings for legal correctness and enter judgment in its favor notwithstanding the contrary jury verdict. At no time did Duplitronics complain that the *judge* had not interpreted the claims. *See,* Listing of Parts of Memorandum at A. 53a-54a.

This issue was also ignored on appeal. The only issue regarding claim interpretation raised by Duplitronics on appeal was the novel assertion that the Federal Circuit was obligated to consider only Duplitronics' position on infringement ("...when the disputed terms... are given Duplitronics' interpretation, there is no dispute as to the

presence of these elements....") A. 55a-56a. This argument appears as two short conclusory paragraphs on page 49 of a 50-page brief. The only other mention of claim interpretation appears in the "Request for Relief," where, as the fourth of five alternative requests for relief, Duplitronics asked the Federal Circuit to "...interpret the claims *de novo* and enter a judgment for Duplitronics and against Concept Design to the effect that the claims of Newdoll and Scheffler have been infringed." A. 56a-57a.

The Federal Circuit conducted the *de novo* review requested of it by Duplitronics. The Federal Circuit found "...upon a review of the evidence" no error in the jury verdict on the infringement issue "...in light of the record as a whole," and so declined to enter judgment for Duplitronics. A. 16a.

Duplitronics then filed a Motion for Rehearing and Suggestion for a Rehearing En Banc. The *only* issue raised by Duplitronics in its request for rehearing was an issue relating to the inequitable conduct finding--taking the Federal Circuit to task for not accepting Duplitronics' argument that the Trial Court had repudiated its finding of inequitable conduct. A. 58a-60a. There was absolutely no mention of any issue of claim interpretation, and particularly no mention of an alleged failure of the Trial Court to make a preliminary determination of claim scope for submission to the jury.

Thus, Duplitronics passed up at least five opportunities to raise this issue for review below. In contrast, the appellant in *Markman* "...squarely raised the issue of whether the Court acted within its power" before the Federal Circuit, *Markman* at 988, 31 U.S.P.Q.2d 1321, 1337. Thus,

the Federal Circuit was given the opportunity, and did, rule on the issue preserved for review in *Markman.*

Second, the facts in this case and in *Markman* are substantially different. Here, Duplitronics not only failed to raise the issue of the manner of claim interpretation in its JMOL Motions and before the Federal Circuit, it actually urged the Trial Court to give the issue of claim instruction to the jury, and tendered proposed instructions. A. 43a-45a. Thus, even if there had been any error, it was invited by Duplitronics. Neither this Court nor the Federal Circuit is obliged to consider errors invited by the appellant. *Mercer v. Theriot,* 377 U.S. 152, 154, 84 S.Ct. 1157, 1159 (1964); *Chemical Eng'g Corp. v. Essef Indus., Inc.,* 795 F.2d 1565 (Fed.Cir. 1986).

Duplitronics points out that the *Markman* case was pending before the Federal Circuit during the pendency of its appeal. *Markman* was decided *en banc* on April 5, 1995. Just prior to the *en banc* ruling in *Markman,* Duplitronics filed its Motion for Rehearing and Suggestion for Rehearing En Banc. The "en banc" portion of the Motion is reviewed by "all active circuit judges." 35(c) Fed. Cir. R. (Practice Note). Thus, all three panel Judges who decided the Duplitronics' Appeal were also then in the process of deciding *Markman.* Moreover, when Duplitronics filed its Petition for Rehearing, every Judge who was then participating in the *Markman* decision also reviewed Duplitronics' Motion for Rehearing. Even though Duplitronics raised no issue regarding claim interpretation in its Motion for Rehearing, the Federal Circuit's affirmance and subsequent denial of Duplitronics' Motion for Rehearing

must be viewed as a refutation of Duplitronics' suggestion that its case is governed by the Federal Circuit's holding in *Markman*.

V. CONCLUSION

The Petitioner has provided no basis for this Court to exercise its discretion to review this case. Duplitronics' arguments are based on false premises, and indicate nothing more than a desire to continue this litigation to the bitter and inevitable end. The Petition for Writ of Certiorari should be denied.

Dated: June 19, 1995

Respectfully submitted,
CONCEPT DESIGN ELECTRONICS
AND MANUFACTURING, INC.

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APPENDIX

APPENDIX

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

C-C-90-368-P
C-C-91-169-P

CONCEPT DESIGN ELECTRONICS
AND MANUFACTURING, INC.,

Plaintiff and Counterclaim
Defendant,

vs.

DUPLITRONICS, INC.,

Defendant and Counterclaim
Plaintiff.

MEMORANDUM OF DECISION
AND ORDER

[Filed, Charlotte, N.C., Oct 31 1994, U.S. District Court,
W.Dist. of N.C. (stamp)]

THIS MATTER is before the Court on Motion filed April 21, 1994 by Concept Design Electronics and Manufacturing, Inc. for an award of Attorney's Fees pursuant to N.C. General Statute (N.C.G.S.) § 75-16.1 and for ruling on previously-filed motion to have this case declared "Exceptional" pursuant to 35 U.S.C. § 285.

The Defendant Duplitronics, Inc. filed its opposition to Plaintiff's Motion for an award of Attorney's Fees on June 24, 1994, and Concept Design filed its Reply on

July 11, 1994. The Plaintiff on August 2, 1994 filed its "Submission of Materials" in compliance with the Court's Order filed July 21, 1994. The matter is now ripe for decision.

35 U.S.C. § 285 provides:

> The Court in exceptional cases may award reasonable attorney fees to the prevailing party.

There is no definition of "exceptional cases" in the statute.

* * * *

The Court in its final judgment filed November 17, 1993 concluded as a matter of law that the bad faith assertion of infringement claims against Concept Design or its customers as found by the jury are unfair methods of competition in or affecting commerce, and unfair and deceptive acts or practices in or affecting commerce within the meaning of N.C. Gen. Statute 75-1.1 *et seq.* and therefore unlawful. The Court also concluded as a matter of law that the Defendant's Newdoll and Scheffler Patents were unenforceable as a matter of law because of inequitable conduct.

History

On November 29, 1990, Concept Design filed a declaratory judgment complaint asking the Court to declare the Newdoll Patent invalid, unenforceable and not infringed and included a cause of action against Duplitronics' for unfair competition. Duplitronics answered and asserted a compulsory counterclaim against Concept Design for infringement of the Newdoll Patent.

On June 4, 1991, Concept Design filed another declaratory judgment action against Duplitronics seeking a declaration that the Scheffler Patent was invalid, unenforceable and not infringed. Duplitronics filed answer

and a compulsory counterclaim for infringement of the Scheffler Patent.

The patent issues were tried before a jury from March 15 through 26, 1993. The jury returned a verdict finding that Concept Design had not infringed the patents which the jury found to be invalid.

From November 1-9, 1993, Concept Design's unfair competition claims were tried before a jury, with Concept Design seeking approximately $5,000,000 in actual damages, unfair competition claims under N.C. Gen. Statute 7-1.1, and a finding by the jury that Duplitronics

* * * *

In summary, Duplitronics has abused, and continues to abuse, the Court system of this Country in at least the following ways:

1. filing and refiling lawsuits against Concept Design, its customers and owner, when a Judgment against Concept Design in *this suit* would have exhausted Duplitronics' right to a recovery. [Unfair Comp. Memo at 10-25].

2. filing suits without investigating the facts to ascertain whether the claims in those suits had any basis in fact, or ignoring the facts it plainly knew, indicated that its position was without merit. [Unfair Comp. Memo at 14, 15-17, 21-23, 25-26].

3. repeated, flagrant false testimony on the witness stand and its affidavits; [Patent Memo at 28-31, 33-34; Unfair Comp. Memo at 14, 15-17, 21-23, 25-26].

4. fabricating factual disputes in bad faith for the purpose of forestalling summary judgment. [Binder and Sharples Affidavits submitted in response to

Concept Design Motions for Summary Judgment of Noninfringement of the Newdoll Patent].

5. constantly changing its legal theory of infringement as the preceding theory was shown to be false.

6. obtaining patents for assertion in this and other courts by inequitable conduct; and

7. claiming, under oath, poverty during the unfair competition trial in an effort to keep the damages low, and then claiming under oath after trial that it was so well off that the requirement for a full bond to secure the Judgement [sic] should be waived. [Defendant's Memorandum in Support of Motion to Stay Execution Pending Ruling on Post Trial Motions and Motion to Reduce Supersedeas Bond].

It must be kept in mind that these are the contentions of the Plaintiff, and the Court does not find that these contentions have been proved by clear and convincing evidence.

In summary, the purpose of 35 U.S.C. § 285 is to provide the District Court with discretion to determine whether it would be grossly unjust that the winner be left to bear the

* * * *

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

Case No. C-C-90-368-P
Case No. C-C-91-169-P
(consolidated)

CONCEPT DESIGN ELECTRONICS AND MANUFACTURING, INC.,

Plaintiff and counterclaim defendant,

vs.

DUPLITRONICS, INC.,

Defendant and counterclaim plaintiff.

AND RELATED COUNTERCLAIMS

DUPLITRONICS' MEMORANDUM IN OPPOSITION TO PLAINTIFF'S MOTION FOR AN AWARD OF ATTORNEY'S FEES AND COSTS

[Received, Jun 27, 1994, W. Thad Adams, III, P.A. (stamp)]

Introduction

This Court should not allow Concept Design to recover attorneys' fees under the North Carolina unfair competition statute. In particular, Concept Design has failed to establish one of the statutory prerequisites to the recovery of such fees, namely that there was an "unwarranted refusal" by Duplitronics to pursue settlement of the

case; indeed, the evidence uniformly establishes to the contrary. Accordingly, even if the equities of this case favored an award of attorneys' fees (which they do not), Concept Design cannot recover attorneys' fees under that statute.

Concept Design also has not satisfied its burden of demonstrating by clear and convincing evidence that Duplitronics' conduct in defending against Concept Design's patent declaratory relief claims and pursuing its compulsory patent infringement counterclaims in this case was sufficiently egregious to justify classifying this case as "exceptional" under 35 U.S.C. § 285. Moreover, as part of its damages case during the unfair competition trial, Concept Design fully litigated its claims for the fees and costs it incurred in the patent phase of the case, and the jury awarded Concept Design the portion of those fees and costs that it felt Concept Design deserved. It would be improper and unfair in light of that award to allow Concept Design to recover anything more on those claims.

Finally, Duplitronics objects to many of the specific cost items that Concept Design seeks to recover. These objections are made on the grounds that such items are overstated, and/or are inadequately documented, and/or are not authorized under the relevant statutes and case law.

Duplitronics respectfully requests a hearing so that it will have an opportunity to address these issues in more detail. *See Marable v. Walker*, 704 F.2d 1219 (11th Cir. 1983).

Background Facts

On October 18, 1983 United States Patent No. 4,410,917 issued to Accurate Sound Corporation on behalf of Ronald M. Newdoll (the "Newdoll Patent"). Concept Design has never offered any evidence

* * * *

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

C-C-90-368-P
C-C-91-169-P

CONCEPT DESIGN ELECTRONICS
AND MANUFACTURING, INC.,

Plaintiff and Counterclaim
Defendant,

vs.

DUPLITRONICS, INC.,

Defendant and Counterclaim
Plaintiff.

MEMORANDUM OF DECISION
AND ORDER

[Filed, Charlotte, N.C., Oct 31 1994, U.S. District Court,
W.Dist. of N.C. (stamp)]

THIS MATTER is before the Court on Motion filed April 21, 1994 by Concept Design Electronics and Manufacturing, Inc. for an award of Attorney's Fees pursuant to N.C. General Statute (N.C.G.S.) § 75-16.1 and for ruling on previously-filed motion to have this case declared "Exceptional" pursuant to 35 U.S.C. § 285.

The Defendant Duplitronics, Inc. filed its opposition to Plaintiff's Motion for an award of Attorney's Fees on June 24, 1994, and Concept Design filed its Reply on

July 11, 1994. The Plaintiff on August 2, 1994 filed its "Submission of Materials" in compliance with the Court's Order filed July 21, 1994. The matter is now ripe for decision.

35 U.S.C. § 285 provides:

> The Court in exceptional cases may award reasonable attorney fees to the prevailing party.

There is no definition of "exceptional cases" in the statute.

* * * *

which it may compare this case, which was unique. However, the Court practiced law for 30 years before assuming the duties of this judgeship and have been in this position approximately 13 years.

Attorney Fees Pursuant to N.C. Gen. Statute § 75-16.1

Since the Court has found that the Plaintiff's evidence was not clear and convincing such that the Court could find that this was an exceptional case under 35 U.S.C. § 285, it will be necessary for the Court to determine whether the patent infringement claims could be segregated from the unfair competition issues under N.C.G.S. § 75-1.1, for the purpose of determining the attorney fee under N.C.G.S. § 75-16.1.

The Court has reviewed the Plaintiff's petition and finds the hourly rate for Mr. Adams' and Mr. Blue's firm to be reasonable. However, the Court is unable to determine the reasonableness of the hourly rates for the other firms since they are not included in the petition.

The Court has disallowed entirely any of the following requested expenses for the purpose of assessing attorneys' fees under N.C.G.S. § 75-16.1:

Expert Witness, Deposition Witness & Trial Witness Fees	$ 80,175.43
Travel Expenses paid by Concept Design	56,689.48
Salary Reimbursement for Concept Design Corporation Employees	80,869.45
Increase in Bond to Cover Appeal	125,000.00
Totally Disallowed Expenses	$342,734.36

The Plaintiff has filed a very detailed request for attorney's fees and expenses as requested by the Court and has summarized those fees and expenses as follows:

* * * *

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

94-1264

CONCEPT DESIGN ELECTRONICS
AND MANUFACTURING, INC.,
Plaintiff/Counterclaim Defendant-Appellee,

v.

DUPLITRONICS, INC.,
Defendant/Counterclaim Plaintiff-Appellant.

DECIDED: January 17, 1995

Before MAYER, MICHEL and SCHALL, *Circuit Judges.*

MICHEL, *Circuit Judge.*

DECISION

Duplitronics, Inc. appeals the March 3, 1994 order of the District Court for the Western District of North Carolina denying its motion for judgment as a matter of law, or alternatively, for a new trial, filed after a bifurcated jury trial involving two separate juries. Docket Nos. C-C-91-169-P and C-C-90-368-P. In the first phase of that litigation, the jury found that two patents assigned to and asserted by Duplitronics were unenforceable, invalid and not infringed by Concept Design Electronics and manufacturing, Inc. In the second phase, another jury found that Duplitronics had violated North Carolina

unfair competition laws by asserting its patents in bad faith. Because we conclude the district court did not abuse its discretion by entering judgment that Duplitronics' patents are unenforceable for inequitable conduct, and because the jury verdicts on validity, infringement and unfair competition are supported by substantial evidence, making the judgments entered thereon lawful, we *affirm*.

DISCUSSION

I. Background

In November 1990, Concept Design filed a declaratory judgment action to declare invalid and unenforceable U.S. Patent 4,410,917 (the Newdoll patent), assigned to Duplitronics. Duplitronics filed a counterclaim alleging infringement of that patent. Concept Design then requested that the Patent and Trademark Office (PTO) reexamine the Newdoll patent in light of newly discovered prior art. The case was stayed pending a decision by the PTO which allowed several of the original claims as well as other claims submitted in the re-examination as amended or new claims.

U.S. Patent 5,021,893 (the Scheffler patent), assigned to Duplitronics, issued in June 1991. Concept Design immediately filed a declaratory judgment action to declare that patent invalid and unenforceable. Duplitronics filed a counterclaim alleging infringement of the Scheffler patent. The suits involving the Newdoll and Scheffler patents were consolidated. Both patents in suit relate to apparatus and methods for commercially duplicating audio cassette tapes.

A jury trial was held in March 1993 in which the jury decided all issues for Concept Design, finding that Duplitronics' Newdoll and Scheffler patents were invalid, unenforceable and not infringed. Duplitronics moved for judgment as a matter of law (JMOL) or, alternatively, a

new trial, pursuant to Federal Rule of Civil Procedure 50(b). The district court denied that motion.

A second jury trial was held in November 1993 on Concept Design's claim that Duplitronics had violated North Carolina unfair competition laws and to determine damages, if any, to concept Design. This phase of the litigation had been bifurcated from the first at Duplitronics' request. Concept Design presented two theories of unfair competition at trial: 1) Duplitronics' alleged fraud on the PTO during prosecution of the Scheffler patent and the re-examination proceeding concerning the Newdoll patent; and 2) Duplitronics' enforcement of the two patents, allegedly done with no reasonable belief that the patents were infringed. The jury found for Concept Design on the theory that Duplitronics had asserted the Scheffler and Newdoll patents in bad faith and awarded $300,000 in damages, which the district court trebled. After the district court entered a final judgment on both phases of the litigation, including a judgment that the two patents were unenforceable for inequitable conduct, Duplitronics' filed a JMOL motion which the court denied. Duplitronics appeals that denial here.

II. The November Verdict did not Impliedly Acquit Duplitronics of Inequitable Conduct

Duplitronics argues that the second jury effectively acquitted it of inequitable conduct. The jury of the first trial was asked to determine whether the patents were "unenforceable" based on either of two separate grounds, misuse or inequitable conduct. Jury instructions were provided on both theories. According to Duplitronics, the first jury found only "unenforceability" which could have been based on misuse rather than inequitable conduct. Duplitronics further asserts that, because the first jury verdict was ambiguous, it does not establish the law of the case regarding inequitable conduct. As the

final step in its argument, Duplitronics maintains that the second jury acquitted Duplitronics of inequitable conduct by unambiguously finding that Duplitronics had not been shown to have committed fraud on the PTO.

Duplitronics is correct that the March special interrogatory asked the jury to decide only whether the Newdoll and Scheffler patents were "unenforceable." It is also true that the March jury was instructed that a patent is rendered unenforceable by either inequitable conduct or misuse. Moreover, the partial judgment entered by the district court on April 19, 1993, following the first phase of the litigation, decreed only that the patents were "unenforceable." Thus, we agree there was some ambiguity regarding the grounds on which the first jury rested its verdict of "unenforceability."

However, the district court entered its final judgment on November 17, 1993, after the second phase of the litigation, decreeing that the Newdoll and Scheffler patents "are unenforceable as a matter of law as a result of inequitable conduct." In spite of the ambiguity in the first jury's verdict, the district court acted appropriately in entering this judgment, given that "the decision respecting inequitable conduct is a discretionary decision to be made by the judge on his or her own factual findings." *Paragon Podiatry Lab. v. KLM Lab.*, 984 F.2d 1182, 1190, 25 USPQ2d 1561, 1568 (Fed. Cir. 1993). Thus, the district court had authority for its findings and judgment independent of the jury verdict, whichever theory it was based on.

"We review the court's ruling [of inequitable conduct] on the standard of abuse of discretion; that is, was the conclusion contrary to law, in clear error, unsupported by the evidence, or otherwise in excess of the court's discretionary power." *Tol-O-Matic, Inc. v. Proma Produkt-Und Mktg.*, 945 F.2d 1546, 1553, 20 USPQ2d 1332, 1338 (Fed. Cir. 1991). In Duplitronics' view, the district court abused its discretion in entering a judgment of

unenforceability for inequitable conduct after the second jury found, in the words of the November interrogatory, that Concept Design had not proven by clear and convincing evidence that Duplitronics "committed fraud on the Patent Office while acquiring either patent that it later attempted to enforce against Concept Design." We disagree.

First we note that this litigation was bifurcated, at the request of Duplitronics, into the first phase addressing claims of invalidity, unenforceability and infringement, and a second phase addressing the unfair competition claim and damages. Duplitronics acknowledges that the two trials addressed different issues--the first trial addressed inequitable conduct whereas the second addressed fraud on the PTO. Thus, inequitable conduct was tried, once and for all, in the first trial. We conclude that the district court did not abuse its discretion by entering a final judgment of unenforceability due to inequitable conduct based on evidence presented in the first trial. The outcome of the unfair competition claim based on fraud, determined by the second trial, is simply irrelevant to the outcome of the inequitable conduct claim heard at the first trial. Any other result would allow a party to try the same issue twice by requesting bifurcation, thereby violating the purpose of bifurcation, conservation of judicial resources and simplification of issues. Thus, Duplitronics is judicially estopped from first seeking separation, but later merger of those issues. *See Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 900-01, 221 USPQ 669, 678-79 (Fed. Cir.), *cert. denied*, 469 U.S. 857 (1984) (applying the law of the case doctrine to prevent relitigation of issues).

Second, because the legal standards for proving fraud are more stringent than those for demonstrating inequitable conduct, the court's finding that Duplitronics committed inequitable conduct is not inconsistent with the second jury's finding that the company did not

commit fraud. In comparable circumstances we have stated:

> When a party seeks to collect monetary damages from a patentee because of alleged violations of the antitrust law, it is appropriate to require a higher degree of misconduct for that damage award than when a party asserts only a defense against an infringement claim.

Hewlett-Packard Co. v. Bausch & Lomb Inc., 882 F.2d 1556, 1563, 11 USPQ2d 1750, 1756 (Fed. Cir. 1989), *cert. denied*, 493 U.S. 1076 (1990); *Argus Chemical Corp. v. Fibre Glass-Evercoat Co.*, 812 F.2d 1381, 1384-85, 1 USPQ2d 1971, 1973-74 (Fed. Cir. 1987) ("knowing and willful fraud . . . can mean no less than clear, convincing proof of intentional fraud involving affirmative dishonesty").

Duplitronics nevertheless asserts that the corresponding jury instructions in the two trials were almost identical, and, therefore, that the second jury found, by necessary implication, that Duplitronics did not intend to deceive or knowingly conceal a material fact. Actually, the jury instructions properly differed in an important aspect. In the second trial, the court instructed the jury that "Concept Design must show fraud involving affirmative dishonesty." Consistent with the law of inequitable conduct, there was no such requirement in the jury instructions of the first trial. Thus, the two verdicts are consistent and the second cannot be said to alter the first.

Third, two separate juries reviewed different evidence to find different facts on different instructions. Although the parties disagreed at oral argument about the extent to which the evidence in the two trials overlapped, the fact that the evidence was not identical is sufficient by itself to justify the different verdicts on the related issues of unenforceability and fraud, making the two

verdicts consistent. Even if the verdicts were not consistent, the jury verdict concerning fraud cannot alter the judgment concerning inequitable conduct when the two issues are decided in separate trials.

For these reasons and upon a review of the evidence, we hold that the district court did not abuse its discretion by entering judgment that the Newdoll and Scheffler patents are unenforceable, as a matter of law, for inequitable conduct.

III. Duplitronics' Other Arguments

Duplitronics also challenges, as unsupported by substantial evidence, the jury verdicts on validity, infringement and unfair competition. *See Tol-O-Matic, Inc.*, 945 F.2d at 1549, 20 USPQ2d at 1335 (in reviewing a denial of a JMOL motion, we must determine whether there was substantial evidence to support a jury verdict). Because we regard Duplitronics' arguments on these issues, like those concerning inequitable conduct, as unpersuasive in light of the record as a whole, we reject them.

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

C-C-90-368-P
C-C-91-169-P

CONCEPT DESIGN ELECTRONICS
AND MANUFACTURING, INC.,

Plaintiff and Counterclaim
Defendant,

vs.

DUPLITRONICS, INC.,

Defendant and Counterclaim
Plaintiff.

JUDGMENT

[Filed, Charlotte, N.C., May 19 1995, U.S. District Court,
W.Dist. of N.C. (stamp)]

In accordance with the Memorandum of Decision and Order filed simultaneously with this judgment,

IT IS ORDERED AND ADJUDGED:

1. That the Plaintiff have and recover of the Defendant the sum of SEVENTY-EIGHT THOUSAND SEVEN HUNDRED THREE AND 07/100 ($78,703.07) DOLLARS as attorney's fees and expenses with interest thereon at the rate of 6.28% per annum from the date of entry of this Judgment.

2. That the Plaintiff have and recover of the Defendant interest at the rate of 7.28% per annum on

$300,000.00 from November 29, 1990 until paid, and interest at the rate 3.57% per annum on $600,000.00 from November 17, 1993 until paid. [See Final Judgment, Documents # 328 & 321, respectively].

This 19th day of May, 1995.

/s/ Robert D. Potter
ROBERT D. POTTER
SENIOR UNITED STATES DISTRICT JUDGE

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

C-C-90-368-P
C-C-91-169-P

CONCEPT DESIGN ELECTRONICS
AND MANUFACTURING, INC.,

Plaintiff and Counterclaim
Defendant,

vs.

DUPLITRONICS, INC.,

Defendant and Counterclaim
Plaintiff.

MEMORANDUM OF DECISION
AND ORDER

[Filed, Charlotte, N.C., May 19 1995, U.S. District Court,
W.Dist. of N.C. (stamp)]

THIS MATTER is before the Court on the following Motions:

1. Motion by Concept Design to Enforce Liability Against Surety Pursuant to Rule 65.1 of the Federal Rules of Civil Procedure, filed March 8, 1995. [Documents # 366 & # 359, respectively].[1]

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[1] "Document #" refers to corresponding Motions in case C-C-90-368 first and then case C-C-91-169.

2. Concept Design's Motion for Supplemental Award of Attorney's Fees Incurred During Appeal, filed March 20, 1995. [Documents # 367 & # 360, respectively].

3. Motion by Duplitronics to Stay Execution of Judgment and Enforcement of Liability on Appeal Bond to Permit Application to the Supreme Court for Certiorari, filed March 27, 1995. [Documents # 368 & # 361, respectively].

4. Hanover Insurance Company's (Surety) Response and Memorandum, filed March 28, 1995, in opposition to Plaintiff's Rule 65.1 Motion and Motion to Stay, filed March 28, 1995. [Documents # 370 & # 363, respectively].

5. Duplitronics' Motion to Prevent Execution of Judgment, filed April 4, 1995. [Documents # 374 & # 367, respectively].

DISCUSSION

I. Motion by Concept Design to Enforce Liability Against Surety Pursuant to Rule 65.1 of the Federal Rules of Civil Procedure and Hanover Insurance Company's Response and Motion to Stay (Motions 1 and 4 above)

A. Rule 65.1

Rule 65.1 provides in pertinent part:

Rule 65.1 Security: Proceedings Against Sureties

Whenever these rules, including the Supplemental Rules for Certain Admiralty and Maritime Claims, require or permit the giving of security by a party, and security is given in the form of a bond or stipulation or other undertaking with one or more sureties, each surety submits to the jurisdiction of the court and irrevocably appoints the clerk of the court

> as the surety's agent upon whom any papers affecting the surety's liability on the bond or undertaking may be served. The surety's liability may be enforced on motion without the necessity of an independent action.
>
> . . . .

The Court will enforce the liability against Hanover Insurance Company (Hanover), in accordance with Rule 65.1.

B. Hanover Insurance Company's Response to Plaintiff's Rule 65.1 Motion and Motion to Stay

Hanover argues that Hanover's liability may not exceed $900,000, and that Concept Design may not collect the judgment from Hanover before Plaintiff has used reasonable diligence to collect from Duplitronics.

1. *The Amount of the Bond.*

The Appeal Bond provides:

> On November 17, 1993, judgement for $900,000 was entered for Concept Design Electronics and Manufacturing, Inc. against Duplitronics, Inc. from which Duplitronics, Inc. has appealed to the Federal Circuit Court of Appeals.
> We jointly and severally agree to pay to the above judgement creditor any part of the judgment which is not reversed, and interest, damages and costs.
>
> The obligation of this bond if limited to $900,000.
>
> Duplitronics, Inc.
>
> By: _____
> As principal
>
> The Hanover Insurance Company
> By: _____
> Kay A. Hull, Attorney in Fact

Title 28, Section 1961(a) & (b) provides:

> § *1961. Interest*
>
> (a) Interest shall be allowed on any money judgment in a civil case recovered in a district court. Execution therefor may be levied by the marshal, in any case where, by the law of the State in which such court is held, execution may be levied for interest on judgments recovered in the courts of the State. Such interest shall be calculated from the date of the entry of the judgment. . .
>
> (b) Interest shall be computed daily on the date of payment except as provided in section 2516(b) of this title and section 1304(b) of title 31, and shall be compounded annually.

Thus, contrary to Duplitronics' and Hanover's argument, ". . . interest shall be allowed on any money judgment in a civil case, recovered in a district court." This is a money judgment in a civil case recovered in the Western District of North Carolina.

As to the liability of Hanover, the bond was for the amount of the judgment ($900,000) ". . . which is not reversed, and interest, and costs." No part of the judgment amount was reversed. The surety is therefore liable for the amount of the judgment plus interest as may be applicable.

Of the $900,000, $300,000 was compensatory damages and $600,000 was the result of trebling the amount fixed by the verdict ($300,000) pursuant to N.C. General Statute § 75-16.

N.C. General Statutes § 24-5(b) provides:

> § *24-5. Contracts, except penal bonds, and judgments to bear interest.*
>
> (a) . . .

> (b) Other Actions. — In an action other than con tract, the portion of money judgment designated by the fact finder as compensatory damages bears interest from the date the action is instituted until the judgment is satisfied. Interest on an award in an action other than contract shall be the legal rate.

This action which resulted in the jury case was instituted November 29, 1990. Therefore, pursuant to N.C. General Statute § 24-5, $300,000 compensatory damages shall bear interest from that date at the rate of 7.28% per annum until paid. The remaining $600,000 shall bear interest from the date of entry of the Final Judgment, November 17, 1993, at the rate of 3.57% per annum until paid, pursuant to Title 28, § 1961 of the United States Code.

In *TVA v. Atlas Machine and Iron Works,* 803 F.2d 794 (4th Cir. 1986), Atlas gave a supersedeas bond in the exact amount of the judgment, $200,300.20. On appeal, Atlas' liability was affirmed and the matter was remanded to the district court ". . . to direct entry of an order directing Fireman's Fund to pay TVA, with interest accruing from . . . the date of the filing of the bond and stay of execution of the original judgment." *Id.* 799.

The surety should be aware that Section 1961(a) allows the judge no discretion to deny interest authorized by that section. In *Bell, Boyd & Lloyd v. Tapy,* 896 F.2d 1101 (7th Cir. 1990), a law firm asked for post-judgment interest. The Seventh Circuit held:

> The issue of postjudgment interest remains to be addressed. In its motion for summary judgment, the law firm asked for postjudgment interest. The request was superfluous, *Lorenzen v. Employees Retirement Plan,* 896 F.2d 228, 230 (7th Cir. 1990), and in retrospect foolish. Section 1961(a) of the Judicial Code entitles the Prevailing plaintiff in a federal suit (including a diversity suit) to postjudgment interest

> at a rate fixed in the statute, whether or not there is an award of interest in the judgment, *Clifford v. M/V Islander*, 882 F.2d 12, 14 (1st Cir. 1989) or even a request for interest in the complaint. Fed.R.Civ.P. 54(c); 10 Wright, Miller & Kane, Federal Practice and Procedure § 2664, at pp. 159-60 (2d ed. 1983). Judge Norgle denied the request because the firm had failed to cite the statute. We do not agree with this disposition. Nothing in any local or other rule forbids a statutory entitlement because of failure to mention the statute, and section 1961(a) allows the judge no discretion to deny the interest authorized by that section. (Citing cases).

Id. at 1104.

The limitation of $900,000.00 in the bond does not negate agreement to pay the judgment plus interest.

2. *Reasonable Diligence to Collect from Duplitronics.*

Hanover argues that Concept Design's Attempts to Collect from Hanover should be stayed pending reasonable attempts by Plaintiff to collect from Duplitronics.

To support its argument, Hanover cites Chapter 26 of the North Carolina General Statutes (N.C.G.S.). Chapter 26 of the N.C.G.S. clearly refers to actions on contracts.

Section 26-1 states:

> In the trial of actions upon *contracts* either of the defendants may show in evidence that he is surety, and if it be satisfactorily shown, the jury in their verdict, or the magistrate in his judgment, shall distinguish the principal and surety, which shall be endorsed on the execution by the clerk of superior court. (Emphasis added).

The following sections of Chapter 26 all have to do with the relationship of principal and surety in *contract* matters. This is illustrated by Sections 26-11, 26-3.1, 26-5, and 26-12 which states in pertinent part:

> Whenever a judgment shall be rendered in any court in accordance with the provisions of G.S. 26-1 and the surety, endorser or other person shown in said judgment to be secondarily liable thereon . . . .

This section indicates that Chapter 26 has to do only with actions on contracts. Section 26-3.1 provides in pertinent part:

> § *26-3.1. Surety's recovery on obligation paid; no assignment necessary.*
>
> (a) A surety who has paid his principal's note, bill, bond *or other written obligation,* may either sue his principal for reimbursement or sue his principal on the instrument . . .
>
> (b) The word "surety" as used herein includes a guarantor, accommodation maker, accommodation indorser, or other person who undertakes liability for the *written obligation* of another. (Emphasis added).

Section 26-5 provides in pertinent part:

> § *26-5. Contribution among sureties.*
>
> Where there are two or more sureties for the per formance of a *contract,* and one or more of them may have been compelled to perform and satisfy the same, or any part thereof, such surety may have and maintain an action against every other surety for a just and ratable proportion of the same which may have been paid as aforesaid, whether of principal, interest or cost. (Emphasis added).

Section 26-12 provides in pertinent part:

> § *26-12. Joinder of debtor by surety.*
>
> (a) As used in this section, "surety" includes guarantors, accommodation makers, accommodation

indorsers, or others who undertake liability on the obligation and for the accommodation of another.

(b) When any surety is sued *by the holder of the obligation*, the court, on motion of the surety may join the principal as an additional party defendant, ... (Emphasis added).

All the sections in Chapter 26, as well as the sections cited above as examples, clearly indicate that Hanover's reliance on Chapter 26 to require any "due diligence" as required in that Chapter is misplaced. Chapter 26 has no bearing on the matter before this Court.

This construction is further reinforced by the holding in *Koehring Co. v. Seacrest Marine Corporation*, 224 S.E.2d 654 (N.C. App. 1976). In *Koehring* the plaintiff moved for judgment against the surety, which argued that judgment should not have been entered against it on its stay bond prior to execution against the defendant. The trial court granted the motion and the surety appealed. The N.C. Court of Appeals rejected the surety's argument and held:

> The stay bond executed by The Home Indemnity Company was for the explicit purpose of stopping execution against defendant on plaintiff's judgment. The bond specifically provides that The Home Indemnity Company guarantees that defendant "will pay the amount directed to be paid by the judgment" in the event "the appeal is dismissed." This constitutes a guarantee of payment of the judgment, *not a guarantee of payment of such amount as execution against the defendant does not produce.* The surety, if it wishes, can take an assignment of plaintiff's judgment after payment thereof and then issue execution against defendant. Having elected to deprive the judgment creditor of the opportunity of enforcing its claim by voluntarily, and presumably for a fee, execution the supersedeas bond, The

> Home Indemnity Company cannot now with propriety complain if it is required to live up to the terms of its undertaking. This argument is without merit.

Id. at 656. (Emphasis supplied).

In the case at bar, Hanover's bond provided in pertinent part:

> On November 17, 1993, judgement for $900,000 was entered for Concept Design Electronics and Manufacturing, Inc. against Duplitronics, Inc. from which Duplitronics, Inc. has appealed to the Federal Circuit Court of Appeals.
> We jointly and severally agree to pay to the above judgement creditor any part of the judgment which is not reversed, and interest, damages and costs.
>
> The obligation of this bond is limited to $900,000.

It is clear that Hanover's argument is without merit, and Concept Design is entitled to recover on the bond under Federal Rules of Civil Procedure 65.1 without any procedural preconditions.

II. Concept Design's Motion for Supplemental Award of Attorney's Fees Incurred During Appeal and Duplitronics' Opposition (Motion 2)

A. Award of Attorney's Fees Incurred During Appeal

Concept Design is entitled to an award of attorney's fees for the trial and for the fees which were incurred in representing the Plaintiff-Appellee before the Federal Circuit.

Section 75-16.1 of the N.C. General Statutes provides:

> § *75-16.1. Attorney fee.*
>
> In any suit instituted by a person who alleges that the defendant violated G.S. 75-1.1, the presiding

> judge may, in his discretion, allow a reasonable attorney fee to the duly licensed attorney representing the prevailing party, such attorney fee to be taxed as a part of the costs and payable by the losing party, upon a finding by the presiding judge that:
>
> > (1) The party charged with the violation has willfully engaged in the act or practice, and there was an unwarranted refusal by such party to fully resolve the matter which constitutes the basis of such suit; . . .

This Court has previously awarded Concept Design an attorney's fee for the trial portion of the litigation. The appellee, Concept Design, now is asking this Court to award attorney's fees for the appellate phase.

Duplitronics contends that this Court does not have authority to award attorney fees for the appellate phase, and that any such award must be by the Appellate Court.

Duplitronics also contends that no award may be made because the appeal was not frivolous, and because there was not an unwarranted refusal to settle the appeal.

Duplitronics argues that no award should be made because Rule 38 of the Federal Rules of Appellate Procedure authorize only appellate courts to award damages for frivolous appeals. That argument is of no avail to Duplitronics because there has never been any claim by Concept Design that the appeal by Duplitronics was frivolous, and the Federal Circuit did not find the appeal to be frivolous.

The argument by Duplitronics that only the Federal Circuit and not this Court has the authority to award attorney fees under N.C. General Statute 75-1.1 is not supported by any authority cited by Duplitronics nor by any authority found by this Court. The appeal was from

a judgment involving a State statute. The North Carolina cases, including *City Finance Co. v. Boykin*, 86 N.C. App. 446, 358 S.E.2d 83 (1987), cited by Duplitronics hold that the trial court has authority to award attorney's fees for all phases of a case. The award or denial of attorney's fees is in the sole discretion of the trial judge. *Morris v. Bailey*, 86 N.C. App. 378, 387, 358 S.E.2d 120 (1987). (See Subparagraph (B) hereafter, for determination of fee.)

Duplitronics argues that the North Carolina statute only authorizes an award of fees where there has been an unwarranted refusal to settle, (Duplitronics' Response, Documents # 354 & # 347, respectively). Rule 33 of the Federal Rules of Civil Procedure provides:

> *Rule 33. Appeal Conferences*
>
> The Court may direct the attorneys, and in appropriate cases, the parties, to participate in one or more conferences to address any matter that may aid in the disposition of the proceedings, including the simplification of the issues and the possibility of settlement. A conference may be conducted in person or by telephone and be presided over by a judge or other person designated by the court for that purpose. Before a settlement conference, attorneys must consult with their clients and obtain as much authority as feasible to settle the case. As a result of a conference, the court may enter an order controlling the course of the proceedings or implementing any settlement agreement.

Duplitronics continues its argument on page 5 of its response:

> Counsel for Duplitronics initiated such discussions with counsel for Concept Design, and was told that Concept Design would not discuss settlement until this Court decided the then pending motion for fees.

> Thus, it was Concept Design, not Duplitronics, who refused to settle.

The Court believes that Concept Design's position as stated by Duplitronics (if that was in fact Concept Design's position) was reasonable.

Based on the history of this litigation both parties have been at loggerheads throughout this litigation.

However, the balance of unreasonableness seems to point more to the Defendant. As the Court found in its Order allowing the Plaintiff's counsel fees, (in discussing the N.C. General Statute § 75-16.1 that the Court must find willfulness and an unwarranted refusal by the losing party to fully resolve the matter which constitutes the basis of the suit):

> As to the second requirement, the unwarranted refusal by the party to resolve fully the matter, there is ample evidence that the Defendant consistently throughout the litigation refused without justification to engage in meaningful settlement negotiations. An example of this is the preposterous proposal by Duplitronics' "house counsel" that he and Mr. Binder confer with Mr. Britt, Concept Design's owner, out of the presence of Mr. Farrow, the President of Concept Design, or Mr. Adams, patent attorney for Concept Design. Another example is Mr. Binder's absurd statement that Duplitronics' damages for the unlicensed use of the technology Concept Design exceeded $300,000,000.00.
>
> The Court finds that a reasonable attorney fee is due Concept Design by Duplitronics under N.C.G.S. § 75-16.1.

Therefore, Duplitronics' argument that the Plaintiff's Motion for Fees should be denied because Duplitronics' good faith attempts to fully resolve the matter were rejected by Concept Design fails.

(B) Determination of the Fee

In the Memorandum of Decision and Order filed October 31, 1994 [Documents # 361 & # 354, respectively] in connection with the fee allowed Plaintiff's counsel for the trial, pursuant to N.C. General Statute § 75-16.1, the Court considered *Hensley v. Eckerhart*, 461 U.S. 424, 103 S.Ct. 1933, 76 L.Ed. 2140 (1983); *Lyle v. Food Lion, Inc.*, 954 F.2d 984, 988-989 (4th Cir. 1992) and *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 714-19 (5th Cir. 1974).

Reiterating the decision in those cases, and the factors considered, would only add to the weight of an already voluminous record. Suffice it to say the Court has considered those cases in making its determination of the fee to be allowed Concept Design in the appellate phase.

Concept Design's account of its services in billing charges in connection with the appeal, commences on June 30, 1994, and concludes with a debit on February 28, 1995, with itemized billing hours in between.

There were three firms involved in the appellate portion of the litigation: W. Thad Adams, III; Northern, Blue, Rooks and Thibaut; and Fish & Richardson.

The Court has examined in great detail the charges by each firm, and has determined from such examination that the fees charged are reasonable, both as to the rate per hour and the number of hours for which a charge is made. It appears that all charges for matters other than related to the appeal have been deleted and, therefore, the Court finds that the summary submitted by the Plaintiff in its Memorandum of Points and Authorities in Support of Plaintiff's Motion for a Supplemental Award of Attorneys Fees, [Documents # 367 & # 360, respectively], filed March 21, 1995, indicates a total attorney fee of $69,670.00 for the three law firms involved in the appeal. In light of all the information the Court has, the Court finds this to be reasonable and justified.

The total expenses submitted by all three firms is $9,033.07. The Court also finds all the expenses to be allowable. Thus, the Court will allow $69,670.00 as a fee for all three firms and $9,033.07 in expenses for a total of $78,703.07 fees and expenses to be paid the three law firms, involved in the appeal.

III. Duplitronics' Motion to Stay the Execution of Judgment and Enforcement of Liability on Appeal Bond to Permit Application to the Supreme Court for Certiorari, filed March 27, 1995 (Motion # 3 above)

BACKGROUND

On November 17, 1993, this Court entered Final Judgment against the Defendant Duplitronics, Inc. ("Duplitronics") and in favor of the Plaintiff Concept Design Electronics and Manufacturing, Inc. ("Concept Design") in the amount of Nine Hundred Thousand ($900,000.00) Dollars, based on a jury verdict of $300,000.00 which was trebled pursuant to N.C. General Statute § 75-1.1.

On November 30, 1993, this Court granted a temporary stay conditioned on the giving of a bond in the amount of $900,000.00. On December 2, 1993, Duplitronics executed an appeal bond in which Duplitronics and its surety, The Hanover Insurance Co. ("Hanover") agreed as follows:

> We jointly and severally agree to pay to the above judgment creditor any part of the judgment which is not reversed, and interest, damages, and costs.
>
> The obligation of this bond is limited to $900,000.00.

On appeal, the United States Court of Appeals for the Federal Circuit entered an order affirming this Court's Final Judgment and the Mandate was issued on March 6, 1995, and Duplitronics' Motion to Stay Mandate was denied by the Federal Circuit on that same date.

On March 8, 1995, Concept Design moved this Court for an Order compelling payment by the surety of $900,000.00 plus interest (Motion # 1 above) [Documents # 366 & # 359, respectively].

Duplitronics filed its Motion on March 27, 1995, pursuant to Title 28, § 2101(b) of the U.S. Code for an order staying execution on the Final Judgment for a reasonable period to permit application to the Supreme Court for a writ of certiorari.

For the reasons hereinafter, the Court will deny the Defendant's Motion to Stay [Documents # 368 and #361, respectively].

After the United States Court of Appeals for the Federal Circuit affirmed this Court's Judgment for $900,000 on January 17, 1995, Duplitronics filed a Motion for Rehearing and Suggestion for a Hearing En Banc, both of which were denied.

The United States Court of Appeals for the Federal Circuit, under the heading of "Background" in its opinion, outlines the procedural history of this case involving U.S. Patent 4,410,917 (the Newdoll Patent) assigned to Duplitronics and U.S. Patent 5,021,8931 (the Scheffler Patent) assigned to Duplitronics.

Briefly, this litigation began in November 1990 when Concept Design filed a declaratory judgment action to declare invalid and unenforceable the Newdoll Patent and a declaratory judgment action in June 1991 to declare the Scheffler Patent invalid and unenforceable. The suits involving the two patents were consolidated.

The first trial of these matters was held in March of 1993 in which the jury decided all issues for concept Design, finding that Duplitronics' Newdoll and Scheffler Patents invalid, unenforceable and not infringed. Duplitronics moved for judgment as a matter of law, or alter-

natively a new trial pursuant to Federal Rules of Civil Procedure 50(b). This Court denied that motion.

A second jury trial was held in November 1993 on Concept Design's claim that Duplitronics had violated the North Carolina Unfair Competition law and to determine damages. This phase of the litigation had been bifurcated from the first at Duplitronics' request.

In the second trial, Concept Design presented two theories of unfair competition: (1) Duplitronics' alleged fraud on the Patent and Trademark Office ("PTO") during prosecution of the Scheffler Patent; and (2) Duplitronics' enforcement of the two patents allegedly with no reasonable belief that the patents were infringed. The jury in that trial found for Concept Design on the theory that Duplitronics had asserted the Scheffler and Newdoll Patents in bad faith and awarded $300,000.00 in damages, which the Court trebled under the N.C. Unfair Trade Practices law. This Court entered final judgment both phases of the litigation, including a judgment that the two patents were unenforceable for inequitable conduct. This Court denied a motion for judgment as a matter of law and Duplitronics appealed.

Duplitronics argues in Footnote 2 that Concept Design is totally without a basis for an award of interest under the express terms of the Final Judgment.

That Final Judgment was filed in this Court on November 17, 1993 and Paragraph 8 provided:

> 8. Plaintiff Concept Design shall have and recover of the Defendant Duplitronics the sum of NINE HUNDRED THOUSAND AND NO/100 ($900,000.00) DOLLARS, said sum being treble the amount fixed by the verdict of the jury, pursuant to N.C. Gen. Stat. § 75-16;

Title 28, § 1961(a) provides in pertinent part:

> § *1961. Interest*
>
> (a) Interest shall be allowed on any money judgment in a civil case recovered in a district court. Execution therefor may be levied by the marshal, in any case where, by the law of the State in which such court is held, execution may be levied for interest on judgments recovered in the courts of the State. Such interest shall be calculated from the date of the entry of the judgment. . .

Thus, the statute provides for interest without the necessity of including it in the judgment.

Duplitronics argues that there is a reasonable likelihood that certiorari will be granted (by the Supreme Court) in this matter contenting: (1) that the original jury verdict on the patent validity issues determined that the patent at issue were unenforceable but only after the submission of a special issue which included two independent theories of invalidation: (a) inequitable conduct and (b) patent misuse, and there is no way to tell from the general verdict what theory the jury chose to find the patents unenforceable; (2) the Court made no finding of fact under Rule 52(a) of the Federal Rules of Civil Procedure to support the legal conclusions; and (3) the court erroneously instructed the jury in the unfair competition portion of this trial that the patents were invalid and unenforceable in contravention of Duplitronics's right to enjoy a presumption of patent validity in several opinions of the Federal Circuit.

However, the Federal Circuit in its unpublished opinion number 94-1264 stated that in the March 1993 jury trial the jury found that Duplitronics' Newdoll and Scheffler patents were invalid, unenforceable and not infringed and that at a second jury trial, held in November 1993, Concept Design presented two theories of

unfair competition at trial: (1) Duplitronics' alleged fraud on the PTO during prosecution of the Scheffler patent and the re-examination proceeding concerning the Newdoll patent; and (2) Duplitronics' enforcement of the two patents, allegedly done with no reasonable belief that the patents were infringed. The jury in the second trial found for Concept Design on the theory that Duplitronics had asserted the Scheffler and Newdoll patents in bad faith and awarded damages of $300,000.00 which was trebled by the Court.

The Federal Circuit pointed out that the two phases of the trial had been bifurcated at Duplitronics' request.

On November 17, 1993, this Court entered a final judgment on both phases of the litigation, including a judgment that the two separate patents were unenforceable for inequitable conduct.

Duplitronics argues that the second jury effectively acquitted it of inequitable conduct. The Federal Circuit pointed out that the jury in the first trial in March was asked to determine whether the patents were unenforceable on either of two separate grounds, misuse or inequitable conduct, that the March jury was instructed that a patent is rendered unenforceable by either inequitable conduct or misuse and that even though there was some ambiguity regarding the grounds on which the March jury reached its verdict of unenforceability that this Court in entering its final judgment on November 17, 1993 that the patents were unenforceable as a result of inequitable conduct, in spite of the ambiguity in the March jury's verdict that the decision respecting inequitable conduct, is a discretionary decision to be made by the judge on his own factual findings and that the district court had authority for its findings and judgment independent of the jury's verdict whichever theory it was based on.

The Federal Circuit further disagreed with Duplitronics' contention that this Court's rulings of inequitable conduct was clear error unsupported by the evidence, or otherwise in excess of the Court's discretionary power because the November jury found that concept Design had not proven by clear and convincing evidence that Duplitronics committed fraud on the patent office. The Federal Circuit first noted that the litigation was bifurcated at the request of Duplitronics into the first phase addressing claims of invalidity, unenforceability and infringement, and a second phase addressing claims of invalidity, unenforceability and infringement, and a second phase addressing the unfair competition claim and damages. The Federal Circuit noted that Duplitronics acknowledged the two trials addressed different issues--the first trial addressed inequitable conduct whereas the second addressed fraud on the PTO. The Federal Circuit concluded that the district court did not abuse its discretion by entering a final judgment of unenforceability due to inequitable conduct based on the evidence at the first trial, and further that the outcome of the unfair competition claim based on fraud, determined by the second trial, is simply irrelevant to the outcome of the inequitable conduct claim heard at the first trial.

The Federal Circuit determined that any other result would allow a party to try the same issue twice by requesting bifurcation, thereby violating the purpose of bifurcation, conservation of judicial resources and simplification of issues and that therefore Duplitronics is judicially estopped from first seeking separation, but later merger of those issues.

Secondly, the Federal Circuit noted that the Court's finding that Duplitronics committed inequitable conduct is not inconsistent with the second jury's finding that Duplitronics did not commit fraud because the legal

standards for proving fraud are more stringent than for demonstrating inequitable conduct, stating:

> In comparable circumstances we have stated:
>
> When a party seeks to collect monetary damages from a patentee because of alleged violations of the antitrust law, it is appropriate to require a higher degree of misconduct for that damage award than when a party asserts only a defense against an infringement claim.
>
> *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 882 F.2d 1556, 1563, 11 USPQ2d 1750, 1756 (Fed. Cir. 1989), *cert. denied*, 493 U.S. 1076 (1990); *Argus Chemical Corp. v. Fibre Glass-Evercoat Co.*, 812 F.3d 1381, 1384-85, 1 USPQ2d 1971, 1973-74 (Fed. Cir. 1987) ("knowing and willful fraud . . . can mean no less than clear, convincing proof of intentional fraud involving affirmative dishonesty").

In answer to Duplitronics' assertion that the corresponding jury instructions in the two trials were almost identical and that therefore the second jury, found by necessary implication, that Duplitronics did not intend to deceive or knowingly conceal a material fact, the Federal Circuit stated:

> Actually, the jury instructions properly differed in an important aspect. In the second trial, the court instructed the jury that "Concept Design must show fraud involving affirmative dishonesty." Consistent with the law of inequitable conduct, there was no such requirement in the jury instructions of the first trial. Thus, the two verdicts are consistent and the second cannot be said to alter the first.

The Federal Circuit, in disagreeing with Duplitronics' contention that this Court's ruling of inequitable conduct was clear error or otherwise in excess of the Court's

discretionary power because the November jury found that concept Design had not proven by clear and convincing evidence that Duplitronics' fraud on the patent office elucidated its third reason as follows:

> Third, two separate juries reviewed different evidence to find different facts on different instructions. Although the parties disagreed at oral argument about the extent to which the evidence in the two trials overlapped, the fact that the evidence was not identical is sufficient by itself to justify the different verdicts on the related issues of unenforceability and fraud, making the two verdicts consistent. Even if the verdicts are not consistent, the jury verdict concerning fraud cannot alter the judgment concerning inequitable conduct when the two issues are decided in separate trials.

For these reasons and upon a review of the evidence, we hold that the district court did not abuse its discretion by entering judgment that the Newdoll and Scheffler patents are unenforceable, as a matter of law, for inequitable conduct.

The Federal Circuit further responded to Duplitronics' other arguments that the jury verdicts on validity, infringement and unfair competition were unsupported by substantial evidence by stating:

> Because we regard Duplitronics' arguments on these issues, like those concerning inequitable conduct, as unpersuasive in light of the record as a whole, we reject them.

Because this Court feels that the Federal Circuit's reasoning is sound and that there is little likelihood that certiorari will be granted, the Court will not stay execution of the judgment and enforcement of the liability on the appeal bond.

IV. Duplitronics' Motion to prevent Execution of Judgment (Motion # 5 above)

This Court awarded the Plaintiff the sum of $218,314.00 as attorney's fees in this case by Judgment entered October 31, 1994. Duplitronics filed Notice of Appeal as to attorney's fees on November 4, 1994 [Documents # 363 & 356, respectively].

On November 15, 1994, Concept Design commenced procedures to execute on the attorney's fee Judgment by recording in the Office of the Clerk of Court for Mecklenburg County, North Carolina, required as a precondition to recording in Illinois where Duplitronics is located. On November 18, 1994, Concept Design filed a Notice of Cross-Appeal, and on January 9, 1995, a Petition for Registration of Foreign Judgment in Cook County, Illinois.

Duplitronics, on January 26, 1995, filed a Motion in Illinois to Stay Enforcement of the Foreign Judgment.

Duplitronics' reliance on *Tennessee Valley Authority v. Atlas Machine & Iron Works*, 803 F.2d 794 (4th Cir. 1986) is misplaced.

TVA stands for the proposition that where the prevailing party in the lower court is the first to appeal, no supersedeas bond can be required of the losing party when it subsequently files its own appeal because the execution of the judgment has already been superseded by the prevailing party's appeal. *Id.* at 797, citing *Branson v. La Crosse R.R. Co.*, 68 U.S. (1 Wall.) at 410, 17 L.Ed 616.

In this case, Judgment for Concept Design as to attorney's fees was filed October 31, 1994. Duplitronics filed Notice of Appeal on November 4, 1994. On November 15, 1994, concept Design recorded its Judgment in the Office of the Clerk of Superior Court for Mecklenburg County, North Carolina as required by Illinois Uniform Enforcement of Foreign Judgment Act, 735 ILCS 512-654. There

is then an automatic stay in Illinois before enforcement can be continued. 735 ILCS 512-653. (North Carolina Uniform Act is similar. ICNC Gen. Stat. 1704(b).)

Concept Design, on January 9, 1995, filed in the Circuit Court of Cook County, Illinois, a petition for registration of a foreign judgment.

On January 26, 1995, Duplitronics filed a Motion in Illinois to Stay Enforcement of the Foreign Judgment, which Concept Design had commenced on November 15, 1994.

Duplitronics was the losing party. Concept Design was the prevailing party. Duplitronics was the first to appeal on November 4, 1994. Concept Design commenced execution procedure on November 15 by filing its judgment in the Mecklenburg County Clerk's Office. Then Concept Design filed its Cross-Appeal on November 18, 1994.

Thus, concept Design, the prevailing party, was not the first to appeal; Duplitronics, the losing party, was the first to appeal, and following the dictate of *Atlas*, Duplitronics' Motion to Prevent Execution of Judgment will be denied.

CONCLUSION

NOW, THEREFORE, IT IS ORDERED:

(1) Motion by concept Design to Enforce Liability Against Surety Pursuant to Rule 65.1 of the Federal Rules of Civil Procedure, filed March 8, 1995, [Documents # 366 & # 359, respectively], is *GRANTED.*

(2) Concept Design's Motion for Supplemental Award of Attorney's Fees Incurred During Appeal, filed March 20, 1995, [Documents # 367 & # 360, respectively], is *GRANTED.*

(3) Motion by Duplitronics to Stay Execution of Judg ment and Enforcement of Liability on Appeal Bond to Permit Application to the Supreme Court for Certiorari, filed March 27, 1995, [Documents # 368 & # 361, respectively], is *DENIED.*

(4) Hanover Insurance Company's (Surety) Response and Memorandum in opposition to Plaintiff's Rule 65.1 Motion and Motion to Stay, filed March 28, 1995, [Documents # 370 & # 363, respectively], is *DENIED.*

(5) Duplitronics' Motion to Prevent Execution of Judgment, filed April 4, 1995, [Documents # 374 & # 367, respectively], is *DENIED.*

(6) Plaintiff Concept Design is awarded a total fee of $69,670.00 as attorney's fees for the three law firms involved in the appeal, and $9,033.07 as expenses for the three law firms involved in the appeal to the Federal Circuit, for a total of $78,703.07 fees and expenses for defending the Plaintiff's judgment in the Federal Circuit.

The Court will file a Judgment for the Attorney' Fees simultaneously with this Memorandum of Decision and Order.

This the 19th day of May, 1995.

/s/ Robert D. Potter
ROBERT D. POTTER
SENIOR UNITED STATES DISTRICT JUDGE

* * * *

[Certificate of Mailing Omitted in Printing]

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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

Case No. C-C-90-368-P
Case No. C-C-91-169-P
(consolidated)

CONCEPT DESIGN ELECTRONICS AND MANUFACTURING, INC.,

Plaintiff and
Counterclaim
Defendant,

vs.

DUPLITRONICS, INC.,

Defendant and
Counterclaimant.

DUPLITRONICS' PROPOSED LIABILITY JURY INSTRUCTIONS

[Filed, Charlotte N.C., Mar 15 1993, U.S. District Court, W. Dist. of N.C. (stamp)]

* * * *

12. CLAIM INTERPRETATION (DEFINITION OF CLAIM LANGUAGE)

The inability of words alone to achieve precision is a problem which must be recognized in determining infringement. A verbal portrayal is usually an afterthought written to satisfy the requirements of patent law. Often the invention is novel and words do not exist to describe it. Things are not made for the sake of words, but words for things. To overcome this problem, patent law allows

the inventor to create his own words to describe his invention.[11]

To determine the meaning of the terms of the claims, the specification and the file history of the patent may be studied. The specification should always be considered in connection with the terms used in the claims. The words in a patent are to be given their ordinary and customary meaning unless it appears clear that the inventor used them in some different way.

The inventor is permitted to define his own terms in the specification. If the meaning of an expression is made reasonably clear within the patent, and its use within a patent specification is consistent, the inventor's definition governs the terms of the claims.

If a claim is fairly susceptible to more than one construction, the construction should be adopted that will secure the benefits of the invention to the patentee. Ambiguous claims, whenever possible, should be construed so as to preserve their validity.

Of course, the construction that you give to the claims of the patent is not limited to the best mode or method of practicing the invention, nor to any one way disclosed in the drawings or in an example or the specification of the patent. The drawings and examples of a patent are not to be used to imply limitations in a claim or to be used to limit the scope of a patent.[12]

The specification of the patent is the text which precedes the claims. Along with the drawings of the patent,

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[11] *Autogiro Co. v. United States*, 384 F.2d 391, 396-97 (Ct. Cl. 1967).

[12] *Smith v. Snow*, 294 U.S. 1 (1935); *McGill, Inc. v. John Zink Co.*, 736 F.2d 666, 671-75 (Fed. Cir.), *cert. denied*, 469 U.S. 1037 (1984); *ACS Hospital Systems v. Montefiore Hospital*, 732 F.2d 1572, 1577 (Fed. Cir. 1984); *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1569-70 (Fed. Cir. 1983); *SSIH Equipment, S.A. v. U.S.I.T.C.*, 718 F.2d 365, 376 (Fed. Cir. 1983).

the specification explains illustrative but not exclusive means of practicing the invention of the patent. On the other hand, the specification is a useful tool in understanding the meaning of the words of the claim in defining the invention because the dictionary may not stay abreast of the technology. Furthermore, the various elements of the claim define the invention as a whole and must be read in this light, including functional relationships between the elements.[13]

13. CLAIM INTERPRETATION (ADDITIONAL LIMITATIONS)

In considering whether particular claim elements are found in the accused products sold or processes used by Concept Design, it is irrelevant that any particular element may perform an added function that is not performed by the products or processes disclosed in the specification, especially those described as being preferred by the patentee.[14] It is equally unimportant that the accused product or process may include additional elements or features which are not specifically listed in the patent claims or specifically described in the patents in suit.[15] Furthermore, it makes absolutely no difference whether the accused products operate as well as the particular preferred products described in the patent.[16]

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[13] *In re Gulack*, 703 F.2d 1381, 1386 (Fed. Cir. 1983).

[14] *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 945 (Fed. Cir. 1990); *Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 731 F.2d 840, 848 (Fed. Cir. 1984).

[15] *Northern Telecom, Inc.*, 908 F.2d at 945.

[16] *Shamrock Technologies, Inc. v. Medical Sterilization, Inc.*, 903 F.2d 789, 792 (Fed. Cir. 1990); *Lantram Corp.*, 863 F.2d at 859.

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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

Case No. C-C-90-368-P
Case No. C-C-91-169-P
(consolidated)

CONCEPT DESIGN ELECTRONICS AND MANUFACTURING, INC.,

Plaintiff and
Counterclaim
Defendant,

vs.

DUPLITRONICS, INC.,

Defendant and
Counterclaimant.

DUPLITRONICS' MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION FOR JUDGMENT AS A MATTER OF LAW AND/OR FOR A NEW TRIAL

[Filed, Charlotte N.C., May 5 1993, U.S. District Court, W. Dist. of N.C. (stamp)]

* * * *

until Duplitronics attempts to require payment of royalties past the life of the patents.

As a matter of law, there has been no patent misuse by Duplitronics, because the Scheffler and Newdoll patents have not expired, so there can be no present misuse of the patents. There is simply no evidence of patent misuse based on the evidence presented to the jury.

III. PROPER CONSTRUCTION OF THE RELEVANT CLAIMS OF THE PATENTS-IN-SUIT

A. Legal Standards for Claim Interpretation

Claim interpretation is the initial step in determining both validity and infringement. [TR 1909 (Jury Instructions).] "This interpretation must be the same for purposes of validity and infringement." *Id.; see also Smithkline Diagnostics, Inc. v. Helena Laboratories Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988) ("claims must be interpreted and given the same meaning for purposes of both validity and infringement analysis.") In addition, the Federal Circuit has held that "a claim must be construed to uphold its validity if possible." *Lewmar Marine, Inc. v. Barient, Inc.*, 827 F.2d 744, 749 (Fed. Cir. 1987).

Claim construction is a question of law, and "[w]here the court's interpretation is not set forth in its instructions to the jury, the court must perform its role of deciding this issue of issue of law in ruling on the JNOV motion." *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 822-23 (Fed. Cir. 1992).

As the jury was instructed, in ascertaining the meaning of a patent claim, it is appropriate to look to the claim language itself, the patent specification, the prosecution history, other claims of the patent, the prior art, and testimony regarding what one of ordinary skill in the art would understand the claims to mean. [TR 1910].

The first step in claim interpretation is to examine the language of the claim at issue. Words in a claim should be given their ordinary and accustomed meaning, unless it appears that the inventor used them differently. [TR 1910.] *See also Palumbo v. Don-Joy Co.*, 762 F.2d 969, 975 (Fed. Cir. 1985).

However, the Patent Law allows an inventor to be his own lexicographer. Thus, an inventor can choose his own terms and use them in the claims in a way that is

different than the way in which they are ordinarily understood, so long as he makes his definition known. [TR 1910.] *See also Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 867 (Fed. Cir. 1985).

The patent specification may be used as an aid in understanding what terms in the claims mean, and terms which were defined in a specification must be given the same meaning when used in a claim. [TR 1911.] However, limitations from the specification generally cannot be read into the claims. [*See* TR 1911.] Put another way, while the law requires that the specification set forth an example of the "best mode" of making and using the invention known to the patentee at the time of the invention, the patentee is not confined to that embodiment when interpreting the claims. *Specialty Composites v. Cabot Corp.*, 845 F.2d 981, 987 (Fed. Cir. 1988) *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1533 (Fed. Cir. 1987)

A somewhat different analysis applies to the interpretation of a claim that is drafted in terms of a "means" for achieving a

* * * *

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

C-C-90-368-P
C-C-91-169-P

CONCEPT DESIGN ELECTRONICS AND MANUFACTURING, INC.,

Plaintiff and Counterclaim Defendant,

v.

DUPLITRONICS, INC.,

Defendant and Counterclaim Plaintiff.

ORDER

[Filed Charlotte, N.C., 93 Aug-3 pm 1:00, U.S. District Court, W. Dist. of N.C. (stamp)]

THIS MATTER is before the Court on Duplitronics' motion, filed May 5, 1993, for judgment as a matter of law or, alternatively, for a new trial. Concept Design Electronics and Manufacturing, Inc., ("Concept Design") filed a memorandum in opposition on May 24, 1993. Duplitronics followed with a reply memorandum on June 7, 1993 and a supplemental memorandum on July 6, 1993.

The Court tried this matter with a jury during the two week period from March 15, 1993 to March 26, 1993. After deliberating for just over an hour, the jury re-

turned a verdict favorable to Concept Design, the alleged infringer, on all counts.

The Court has examined thoroughly Duplitronics' 96-page motion and Concept Design's response. The Court begins the analysis of this motion by noting that the trial of this matter was to a *jury*; issues of fact were for the jury to decide, not the Court.

In order to prevail on a motion for judgment as a matter of law, Duplitronics must show that "there is no legally sufficient evidentiary basis for a reasonable jury to have found for [Concept Design]." Fed. R. Civ. P. 50. The standard for considering this motion is the same standard that a court applies in ruling on a motion for summary judgment under Rule 56. J. Moore et al., *Moore's Federal Practice*, ¶¶ 50.03[4], 56.04[2] (2d. ed. 1992)(hereinafter, "Moore's"). "[T]he theory underlying both motions is that there is no genuine question of material fact and that the movant is entitled to judgment as a matter of law." *Moore's* at ¶ 56.04[2].

Although Duplitronics itself moved for summary judgment only as to the tangential issues of unfair competition and unfair trade practices, Concept Design filed numerous motions for summary judgment. While considering these motions for summary judgment, the Court thoroughly educated itself on the law applicable to this case and its factual background. In addition, the Court conducted an extensive review of the patents, their prosecution history, and the relevant prior art. At trial, therefore, the Court was able to conduct an ongoing review of the evidence during which the Court determined that this matter was a quintessential jury case.

Moreover, the Court further considered the instant issues of legal sufficiency of the evidence during a nine-hour conference on jury instructions; during this nine-hour conference, the parties argued extensively concern-

ing the evidence presented at trial, its legal sufficiency, relevancy, and probative value, and the law applicable to the issues. Thus, after a thorough, comprehensive review of the parties' briefs, the evidence, and the controlling law, the Court does not believe that a detailed, written analysis of this case is necessary or would be a valuable use of judicial resources. Accordingly, the Court will deny the motion for judgment as a matter of law.

Rule 59 allows the Court to grant a new trial "for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States." Fed. R. Civ. P. 59(a). In the instant motion, Duplitronics has asserted—as its only ground for a new trial—that the jury's verdict was against the clear weight of the evidence.

The Court may grant a new trial on the ground that the jury's verdict is against the weight of the evidence. *Moore's Federal Practice* at ¶ 59.08[5]. The consideration of such a motion and its grant or denial is left to the sound discretion of the trial court, and is generally not reviewable. *Id.* In considering a motion for a new trial that challenges the jury's weighing of the evidence, the Court should not grant the motion merely because it, if sitting as the trier of fact, would have reached a different result. Rather, the Court should grant a motion for a new trial only if the jury's verdict is manifestly unjust; this standard requires that the Court ask itself whether the jury clearly reached an erroneous verdict.

In the instant case, the Court believes that the jury did not clearly reach an erroneous result. Both sides put on evidence to support their cases, but their evidence conflicted. The opposing experts rendered directly conflicting opinions. Thus, each party put the credibility of the opposing party's experts at issue. Issues of credibility are peculiarly for the jury. "[I]t is an invasion of the jury's province to grant a new trial merely because the evi-

dence was sharply in conflict." *Moore's* at ¶ 59.08[5]. Accordingly, the Court will deny the alternative motion for a new trial.

NOW, THEREFORE, IT IS ORDERED that Duplitronics' motion for judgment as a matter of law or, alternatively, for a new trial be, and hereby is, DENIED.

This the 3rd day of August, 1993.

/s/ Robert D. Potter
ROBERT D. POTTER
SENIOR UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

CIVIL ACTION NOS.:
C-C-91-169-P
C-C-90-368-P

CONCEPT DESIGN ELECTRONICS AND MANUFACTURING, INC.,
Plaintiff - Counterclaim Defendant,

v.

DUPLITRONICS, INC.,
Defendant - Counterclaimant.

AND RELATED COUNTERCLAIMS

DUPLITRONICS' MOTION FOR JUDGMENT, AS A MATTER OF LAW, OR ALTERNATIVELY FOR A NEW TRIAL RELATING TO THE COURT'S JUDGMENT ORDER OF NOVEMBER 17, 1993

Defendant, Duplitronics, Inc., respectfully moves this Court for a judgment as a matter of law pursuant to Rule 50 Federal Rules of Civil Procedure or alternatively for a new trial pursuant to Rule 59 Federal Rule of Civil Procedure.

This Motion is divided into six parts:

I. AS A MATTER OF LAW, IF THE JURY RETURNS A GENERAL VERDICT BASED UPON SEVERAL CLAIMS BEING PRESENTED, THE VERDICT MUST BE SET

ASIDE IF ANY ONE OF THE CLAIMS IS LEGALLY ERRONEOUS.

II. THE JUDGMENT ON THE JURY VERDICT SHOULD BE REVERSED AS A MATTER OF LAW UNDER THE FEDERAL CIRCUIT'S DECISION IN *CONCRETE UNLIMITED V. CEMENTCRAFT*, 1985; 776 FED.2D 1537.

III. BASED ON THE COURT'S INSTRUCTIONS AND THE LEGAL STANDARD OF REVIEW AS APPLIED TO THIS CASE, JUDGMENT SHOULD BE ENTERED FOR DUPLITRONICS AS A MATTER OF LAW; IN THE ALTERNATIVE, A NEW TRIAL SHOULD BE GRANTED UNDER THE STANDARDS OF RULE 59.

IV. THE COURT SHOULD GRANT A NEW TRIAL BASED UPON MATERIAL STATEMENTS AND EVIDENCE OFFERED BY CONCEPT DESIGN WHICH THE COURT SHOULD HAVE EXCLUDED; FURTHER EVIDENCE REGARDING THE STATE OF MIND OF DUPLITRONICS WAS IMPROPERLY EXCLUDED.

V. AS A MATTER OF LAW, THERE IS NO PROOF OF LOST PROFITS OR DAMAGE TO THE PLAINTIFF.

VI. THE JUDGMENT ORDER OF NOVEMBER 17, 1993 SHOULD BE MODIFIED AND THE COURT SHOULD ENTER JUDGMENT FOR DEFENDANT OR ORDER A NEW TRIAL.

I. AS A MATTER OF LAW, IF THE JURY RETURNS A GENERAL VERDICT BASED UPON SEVERAL CLAIMS BEING PRESENTED, THE VERDICT MUST BE SET ASIDE IF ANY ONE OF THE CLAIMS IS LEGALLY ERRONEOUS.

This issue has been reviewed by the United States Supreme Court in a series of cases. In the *Greenbelt Pub Assn. v. Bresler* case, 398 U.S. 6 at p. 11, the Court directly stated:

* * * *

BRIEF FOR DEFENDANT/COUNTERCLAIM
PLAINTIFF-APPELLANT, DUPLITRONICS, INC.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Appeal No. 94-1264

CONCEPT DESIGN ELECTRONICS AND
MANUFACTURING, INC.,

Plaintiff/Counterclaim Defendant-Appellee,

v.

DUPLITRONICS, INC.,

Defendant/Counterclaim Plaintiff-Appellant.

**APPEAL FROM A DECISION OF
THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
IN C-C-91-169-P AND C-C-90-368-P,**

JUDGE ROBERT D. POTTER

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* * * *

XII. THE JURY VERDICT OF NON-INFRINGEMENT OF NEWDOLL CLAIMS 1-7, 11, 12, 14-15, 35, 37-41, 50-51, 54, 55, 58, 60, 62 AND SCHEFFLER CLAIMS 1-6, WAS BASES ON ERRONEOUS CLAIM INTERPRETATION, AND SHOULD BE REVERSED OR A NEW TRIAL ORDERED.

Concept Design only disputed that its device did not contain certain elements of Newdoll independent claims

1, 6, 7, 50, 51, 54, 62 as interpreted by Duplitronics. It offered no evidence to distinguish its device from the additional elements of the dependent claims. Furthermore, when the disputed terms digital framing buffer, frames or blocks, or header address are given Duplitronics interpretation, there is no dispute as to the presence of these elements and all the elements of the asserted Newdoll claims in the accused device.

As to Scheffler claims 1 and 4 and dependent claims 2, 3, 5, 6, "asserted claims", the only dispute was whether the scope of the term unitary could be interpreted to include Concept Design's "bifurcated" memory and whether a Concept Design's two recordings on one tape, are included within the scope of the limitation "single master library recording." Given their proper interpretation as fully set forth *supra*, there is no dispute of the presence of all the elements of the asserted claims in the accused device.

V. REQUEST FOR RELIEF

First. That the final judgment order of the District Court and each paragraph thereof be vacated and judgment be entered for Duplitronics.

Second. That this Court alternatively enter judgment for Duplitronics consistent with the motions for directed verdict and post trial motions that the patents (Newdoll and Scheffler) are not unenforceable; that no inequitable conduct occurred and no patent misuse occurred. Further that a judgment be entered for Duplitronics and against Concept Design on Concept Design's counterclaim.

Third. That the Court as a further alternative to paragraph First (*supra*) enter judgment for Duplitronics and against Concept Design on each of the affirmative defenses relating to invalidity; inoperability (101; 112); anticipation; obviousness and prior sale.

Fourth. That the Court as a further alternative to paragraph First (*supra*) interpret the claims *de novo* and enter a judgment for Duplitronics and against Concept Design to the effect that claims of Newdoll and claims of Scheffler have been infringed.

Fifth. As a further alternative, Duplitronics requests a new trial on all issues; or those issues that this Court determines have not been disposed of in this appeal.

Respectfully submited,

/s/ Edward L. Foote
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COMBINED PETITION FOR REHEARING
AND SUGGESTION FOR REHEARING IN BANC

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

No. 94-1264

CONCEPT DESIGN ELECTRONICS AND
MANUFACTURING, INC.,

Plaintiff/Counterclaim Defendant-Appellee,

v.

DUPLITRONICS, INC.,

Defendant/Counterclaim Plaintiff-Appellant.

**APPEAL FROM A DECISION OF
THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
IN C-C-91-169-P AND C-C-90-368-P,**

**PETITION TO REHEAR THE OPINION OF FEDERAL
CIRCUIT DATED JANUARY 17, 1995**

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